DOCUMENT RESUME

ED 063 670 EA 004 363

AUTHOR Callahan, John J.; Goettel, Robert J.
TITLE Revising State Education Finance Systems: Simulating Policy Alternatives.
PUB DATE 6 Apr 72
NOTE 21p.; Paper presented at American Educational Research Association Annual Meeting. (57th, Chicago, Illinois, April 3-7, 1972)

EDRS PRICE MF-$0.65 HC-$3.29
DESCRIPTORS Computers; Costs; *Educational Finance; *Educational Legislation; Educational Research; *Equal Education; Equalization Aid; Expenditure Per Student; *Financial Policy; Rural Urban Differences; School Taxes; Simulation; Speeches; *State Aid; State Legislation; State School District Relationship; Tax Allocation; Tax Rates

ABSTRACT

This paper examines several major State finance revisions and the procedures used to analyze their impact on school district per pupil expenditures, State aid, and local tax rates in New York, Massachusetts, and California. Policy alternatives include utilization of measures of educational need, municipal overburden factors in the general formula, and regional and full State financing schemes. Attention is given to the problems of data availability and the analysis of options. (Author)

ED 063670

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
OFFICE OF EDUCATION
THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION POSITION OR POLICY

REVISING STATE EDUCATION FINANCE SYSTEMS: SIMULATING POLICY ALTERNATIVES

by

John J. Callahan

University of Virginia

and

Robert J. Goettel

Policy Institute, Syracuse

University Research Corporation

Prepared by the panel on "The Changing Equity Principle and State Education Finance Systems: Legal, Fiscal and Political Dimension"

Annual Meeting

The American Educational Research Association

Chicago, Illinois

April 6, 1972

ED 064 363

Introduction

Since the advent of electronic computers most state education agencies have developed the capacity to determine potential effects of changes in the state support formula under consideration by legislators prior to final legislative action. By changing the values of key aid system components it is possible to determine the answers to the two most critical questions raised by legislators: How much will the aid changes cost the state and to what extent will certain kinds of school districts, particularly those in their own legislative districts, benefit from such changes? Since in all but a few notable exceptions school finance systems are characterized by strong state/local sharing relationships the key legislative questions thus have been "who benefits" and "how much will the state pay?"

Increased concern over the past few years with the extent to which local school districts are treated equitably by state systems of school finance has refined those questions. While "who benefits?" is still of critical concern, the Serrano decision in California and subsequent decisions in Minnesota, Texas, New Jersey and Arizona have shifted the focus from the state to "who pays?" at the local district level. The Serrano court's standard that "the resources available for a child's education must not be a function of the wealth of his parents and neighbors"[1] has created a range of analytic problems exceedingly more complex than those under consideration by the typical state education agency or state legislature. The result has been a series of attempts by school finance specialists to develop models by which alternatives for revising systems of state school finance can be tested to determine their effects on the fiscal condition and behavior of local school districts, state government finance and the financing of local non-educational municipal services.

---

[1] Serrano v. Priest, 5 Cal. 3d 584, 487 P. 2d 1241. Sup. Ct., 1971.

The purpose of this article is to examine the complexities associated with simulating school finance reforms. Our discussion will focus on two elements that we believe necessary to make simulation exercises meaningful. First, the objectives to be served by the state system of school finance must be clearly stated and the manner in which the system currently operates analyzed in terms of those objectives. Second, in order to determine the extent to which changes in the system achieve the stated objectives, analysis of simulated changes must be made in terms of a fixed pot approach rather than a dynamic pot approach. Specifically, in each case one must determine the redistributive effect of changing a state support formula based on a constant, unchanging dollar amount of state aid (or state/local expenditures for education). Only when one first examines the redistributive characteristic of formula changes -- which also indicate the cost of maintaining save harmless provisions -- is it appropriate to determine the effects of increasing the size of the pie.

Reform Criteria

The most important step in the process of reform is establishing criteria by which change can be judged. While this may be a rather simple exercise for the reformer to whom successful changes means redistributing resources from wealthy districts to poor or from outside central city areas to inner city districts, it is far more complex for the policy analyst who strives for a presentation of alternatives rather than a specific advocacy position. In any case, it is not sufficient to simply untie resource distribution and tax burdens from wealth as measured in real property valuation. The fiscal needs of local school districts differ according to a wide array of characteristics some of which are educational while others are locational or fiscal. For example, school districts clearly

differ in terms of the educational needs of the pupil populations to be served. Urban districts have higher proportions of low achieving, physically and mentally handicapped pupils and those to whom English is a second language. Similarly, rural districts tend to have higher transportation costs and cannot enjoy the economies of scale that benefit their larger suburban and urban neighbors. Finally, many districts suffer from the effects of fiscal overburden resulting from greater competition for local tax resources from municipal non-educational expenditures or from the higher costs of services in some geographical areas. Such problems become particularly critical when conditions of educational, municipal and cost or price overburden come together as they do in most of the large urban districts in this nation.

Such a discussion must consider how equity will be measured and to what extent should it cost for managing a public school district that are peculiar to individual districts but still beyond the basic quality of the instructional program be included in assessments of equitable treatment? Debt service principal and interest and transportation costs are two areas that fall into the latter category. That which is a fair per pupil expenditure for transportation services in one district will not necessarily be reasonable in another.

While some interpretations of the court decisions suggest that a "one scholar-one dollar" approach is called for, a more reasoned criteria for judging equity considers the differences among school districts. The authors of this article believe that differences in educational need, municipal overburden and regional costs must be considered. On the tax side, consideration must be given not only to local taxes in terms of the property tax, but also the structure of state-wide taxes. For example, little will be gained from

reducing reliance on local property taxes that may be relatively proportional if additional state-wide taxes are raised from a sales tax that is clearly regressive. If revenues for education cannot be raised through more progressive levies than those currently utilized, efforts might be more pragmatically focus on extensive reform of the property tax including relief for low income property owners. The problems created for simulation procedures clearly become massive.

Table 1 on the following page illustrates one way of examining the manner in which a state system of school finance functions in terms of the wealth of school districts as measured by real property valuation. More important, the table separates city from non-city districts to show how districts within wealth categories that have different levels of pupil needs and higher municipal costs fare. Since this table presents data that indicate the extent to which objectives for a state finance system are being achieved, it is a useful tool to use at the analytical stage as well as when the results of simulations are examined.

The Redistributive Function

When finance models other than full state assumption are examined the focus of an analysis of simulations must be on the redistributive effect of each of the alternative aid formulas. In order to study the differing redistributive effects, it is necessary to work within a constant dollar amount. In a recent study that the authors did for New York State's Fleischmann Commission, the amount chosen was the state aid actually distributed to local school districts for approved operating expenditures in 1967-68: $1,158 million.[1] While this practice makes good analytical sense,

[1] Berke, Joel S.; Campbell, Alan K. and Goettel, Robert J. editors, Financing Equality of Educational Opportunity: Alternatives for State Finance, (Berkeley: McCutchan Publishing Co., April, 1972).

Table 1

Selected Data for 119 New York State School Districts Rank Ordered in Groups by District Wealth, 1967-68

1	2	3	4	5	6	7	8	9	10
Full Value Taxable Property Per WADA	Average Full Value Taxable Property Per WADA	School Property Tax Rate	School and Municipal Total Tax Rate*	Additional Taxes to Raise to Top Expenditures Per WADA	Total State Education Aid Per WADA	Approved Operating Expenditure Aid Per WADA	Local State & Federal Expenditures Per WADA	Percent Low Achieving Pupils **	Percent of Pupils from Families Receiving AFDC Payments
48,000 and above N=9	$58,919	$16.23	$33.91	-	$319	$1036-	$1306	19.6%	6.7%
47,999 - 36,000 N=12	41,104	18.43	38.34	$ 3.04 (1.82)***	374	887	1184	20.5	8.8
35,999 - 24,000 N=37	28.393	19.22	35.69	8.65 (4.14)***	485	865	1098	18.3	4.9
23,999 - 12,000 N=56	17,971	18.24	36.60	17.54 (5.26)***	621	778	995	18.1	4.3
11,999 - and below N=5	9,928	14.96	39.37	29.22 (4.96)***	739	712	1014	18.4	3.0

* Includes all local taxes and assessments

** Percent below 24th percentile on statewide reading test.

*** Additional taxes required to raise expenditure level of wealthiest group of districts assuming a true percentage equalizing formula with no aid ceiling.

it does create a minor arithmetic problem. That problem occurs because each of the formulas simulated generates a different total amount of state aid which results from changing the manner in which pupils are counted from one formula to another. The same problem would occur, of course, if we had used total expenditures rather than just aid. Different totals occur for the state as a whole as well as for each individual district. One formula might generate only 1.1 billion dollars, a second 1.3 billion, and a third 1.4 billion. In each case, the dollar amounts of per pupil aid must be standardized back to reflect the constant aggregate amount of aid.

We used a simple two step process to standardize the aid per pupil. First, the $1,158 million figure was divided by the aggregate amount of state aid generated by each new formula. The product of this division was an index that represented the constant amount as a percentage of the new amount. If the newly generated amount were greater than the constant amount, the index would be less than 1. Conversely, if the newly generated amount were less than the constant amount, the index would be larger than 1.

The second step was to multiply the per pupil amount of state aid that had been simulated for each district by the appropriate index for each formula. In other words, the dollar amount of aid generated by the computer calculations was reduced or increased in proportion to the extent to which the aggregate amount of state aid originally generated by the formula was greater than or less than the constant amount of $1,158 million. Appropriate calculations for one of the formulas and the indices employed for each simulation follow:

Calculation of Standardization Index and
Per WADA Aid

Standardization Index	=	Statewide total operating expense aid 1967-68 / Amount generated by new formula
Standardization Index for Enrollment plus achievement Formula (ENRL/PEP)	=	$1,158,640,000 / $1,299,664,253
Standardization Index ENRL/PEP	=	.8915
District Aid Per WADA	=	.8915 (simulated per WADA aid)
New York City aid per WADA	=	.8915 ($423)
New York City aid per WADA	=	$377

Table 2 shows the redistributive effects of changing ways in which pupils are counted for state aid purposes. In the two formulas presented in the table enrolled pupils are used rather than those in average daily attendance and disadvantaged pupils measured by a district's AFDC count or the percentage of low achieving pupils are weighted 1.5 rather than the usual weighting of 1.25 for secondary school students. While some redistribution occurs within wealth groups, none occurs among groups. Such an analysis illustrates the effect of changing the manner in which pupils are counted and weighted.

Once such information has been obtained through simulations, the effect of increasing the state share in the state-local relationship can be assessed independent of changing the pupil variables (which have a pronounced effect on fiscal capacity). The two typical ways in which states increase education aid produce somewhat different outcomes. When the foundation level (aid ceiling) in Strayer-Haig formulas is raised, districts with low fiscal capacity and high expenditures benefit most. On the other hand, when the

Table 2

Selected Data for 119 New York State School Districts City and Non-City Within Cohort Wealth Groups 1967-68

1 Full Taxable Property Value Per WADA (City-Non-City)	2 School Property Tax Rate	3 School and Municipal Total Tax Rate*	4 Total State Education Aid Per WADA	5 Approved Operating Expenditures Per WADA	6 Local, State and Federal Expenditures Per WADA	7 Percent Low Achieving Pupils **	8 Percent of Pupils from Families Receiving AFDC Payments
$48,000 and above							
City - N=1	$11.84	$37.15	$351	$ 785	$1187	34.0%	15.0%
Non-City - n=8	16.78	34.18	315	1067	1321	17.8	5.6
$47,999 - 36,000							
City - N= 4	16.23	45.57	356	859	1146	31.5	17.3
Non-City - N= 8	19.53	34.73	383	901	1203	15.0	4.5
$35,999 - 24,000							
City - N=9	16.43	37.80	463	795	1011	27.8	12.7
Non-City - N=28	20.12	35.02	493	887	1127	15.2	2.4
$23,999 - 12,000							
City - N= 8	15.79	40.93	567	768	964	22.0	8.3
Non-City - N=48	18.64	35.88	630	780	1000	17.5	3.7
$11,999 and below							
City - N=0	-	-	-	-	-	-	-
Non-City - N=5	14.96	39.37	739	7.12	1014	18.4	3.0

* Includes all local taxes and assessments

** Percent below 24th percentile on statewide reading test.

state's contribution is increased, say from 50 to 80 percent, fiscal capacity becomes less important and the manner in which pupils are counted becomes more important. Given two districts with the same student population characteristics, the high fiscal capacity district will gain more in state aid regradless of expenditure level. But when two districts have comparable fiscal capacity, the one with the greater proportion of weighted students--secondary or disadvantaged--will receive more state aid.

Simulation Complexities

Cumputer simulations employed for testing reform alternatives are based on conceptual models addressed to two basic considerations. First, which school finance system model or models will be used to test the means of raising revenues and distributing resources? Though the range of alternatives is considerable, it can be reduced to four generic categories: (1) full state assumption of education finance, (2) percentage equalizing (increasing the foundation program), (3) power equalizing or its variant tax yield equalizing and (4) redrawing of school district lines to achieve local units with approximately equal fiscal capacity. Each model presents a different set of conceptual as well as data complexities.

The second set of basic considerations deals with the range of variables that are to be included in a finance system model. The most rudimentary models deal only with aid flows from states to local school districts and the resulting effects of those flows on local property taxes. A somewhat higher level of sophistication considers the effects on total expenditures at the local level. Yet more sophisticated are those models that consider effects on "who pays?" in terms of statewide taxes as well

as the effects on local municipal governments in terms of the additive or replacive characteristics of education aid. The problems inherent in each increasing level of sophistication are created by the lack of data that can be disaggregated to the school district level and the need to increase the number of assumptions that must be made in order to construct the model. For example, a model that predicts local expenditure patterns within a percentage equalizing framework must consider assumptions about how districts will behave given a changed set of circumstances, say, being faced with increased property taxes or lower expenditures. Such an assumption is not necessary if only aid flows are examined. Or if the finance model to be tested calls for distribution of all resources by the state and raising of part of the revenues through a state-wide property tax, the use of state-wide income and sales taxes creates massive problems in determining the impact in terms of increased or decreased tax burdens on local jurisdictions of the total state tax structure. In short, firm answers to questions raised about new approaches to school finance may be provided only in terms of the old systems that relied so heavily on the property tax.

In addition to the range of variables the choice of measure for each variable also presents problems. Policy judgements have to be made about the form of a school finance system as it relates to educational need, fiscal capacity, revenue effort and revenue balance, and an assortment of institutional factors that affect educational support. Only when these aforementioned factors have been taken into account in policy deliberations can a comprehensive simulation of school finance alternatives occur.

Need and Cost Differentials

School children obviously fall into different categories of educa-

tional need. The National Education Finance Project (NEFP), for example, denoted expenditure differentials for mentally and physically handicapped pupils, compensatory education, and vocational-technical pupils.[1] Such expenditure differentials may be used to construct a variety of pupil weightings in state aid formulas. These weightings would assure greater state support for high-expenditure pupils and would channel more aid to districts that have above average concentrations of high need students.

Yet a strict unit weighting approach to educational need differentials creates problems. First, it assumes a standard state share for every type of need unit. Secondly, such a weighting approach will not help the district that has below average concentrations of educational needs since that district's lower concentration of need will tend to raise its fiscal capacity in relation to districts having disporportionate concentrations of need. Moreover, the weighting approach does not deal with the question of when concentrations of need become excessively burdensome. The traditional weighting approach assumes a standard external contribution for each need unit, possibly adjusted by some measure of fiscal capacity. However, it may be that excessively high concentrations of educational need warrant a greater external contribution than average or below average concentrations. By graduating the dollar amount contribution per need unit and possibly even graduating the proportion of external sharing, high-need districts will be better treated in the revenue distribution process - a point made by the President's Commission on School Finance in their criticism of Title I aid.[2]

---

[1]National Educational Finance Project. Future Directions for School Financing (Gainesville: NEFP, 1971), p. 28

[2]The President's Commission on School Finance, Schools, People and Money: The Need for Educational Reform (Washington: The President's Commission, 1972), p.82.

The need measure itself can be the subject of considerable controversy. For example, in determining a compensatory education need unit, one could use a measure of socioeconomic deprivation such as an AFDC count or one could use an educationally based measure such as achievement measured at the first or second grade level. One of the other measure, however, may result in more or less fiscal redistribution among school districts.[1] Thus, the choice of need measure and the manner in which it is weighted will affect the fiscal redistribution in a revised school finance system.

Finally, it is possible that educational need measures should be dynamic rather than static in character. For example, need weightings for the culturally disadvantaged could be reevaluated every several years with the possibility of bonus weightings if the pupil has substantially raised the level of his academic achievement. Alternatively, it may prove that one need category should give way to another over time. Thus a culturally disadvantaged child might finally be placed in a vocational-technical cateogry if his academic achievement remains low. In short, dynamic rather than static weightings and classifications of educational need might be utilized in a revised school aid formula.

Cost differentials are also of major concern in the process of school finance revision. Differential costs of purchasing identical types of services should be taken into account so that greater aid will be channeled to high cost areas. Areas in which cost differentials occur include teacher salaries, land acquisition and building costs, and transportation expenditures.

The inclusion of cost differentials in a revised school finance system can be a touchy issue, for it is by no means certain that expenditure differentials truly reflect variances in educational costs. Higher teacher

---

[1] Berke, Financing Equality of Opportunity, Chapter III.

salaries in metropolitan areas may or may not reflect the higher costs of urban teachers. Higher salaries may be prompted by the higher cost of living in urban areas.[1] Yet, to the extent that union pressures and city-suburban competition have artificially forced up teacher salaries, resulting cost differentials are not genuine. Inclusion of cost differentials based on teacher salaries would then mistakenly divert support to areas where it is not needed.

A reverse problem may present itself in rural areas. There low salaries reflecting the lower cost of living may not be adequate enough to attract quality teachers. A cost index, prematurely constructed, would place rural areas in a position of not being able to compete with urban jurisdictions for high-quality teachers.

Finally, costs must be measured against some input standards. That is, the fiscal system to be geared to hiring teachers with certification, or a masters' degree or higher, and in what proportion to one another? Are building costs predicted on a certain quality and quantity of building and so on and so forth?

Cost and need differentials are important factors in school finance revisions. With their inclusion, external support can be targeted on high need and high cost jurisdictions. Yet, the manner in which such differentials are measured and the way in which they are included in a revised fiscal system will result in a variety of different redistributive effects.

---

[1]Stephen M. Barro, Alternatives in California School Finance, Santa Monica: Rand Corporation, 1971) p. 67-68.

Fiscal Capacity Measures

The fiscal capacity of a district is a measure of its ability to pay. Yet, the measurement of fiscal capacity can be a complicated matter. Wealth has been traditionally measured in terms of property values in matters of school finance. Yet, this form of measurement may overstate the comparative fiscal ability of rural areas. In like manner, personal income measures may overstate the wealth of urban areas. Possibly a hybrid formula measuring property and income wealth, as occurs in the Iowa state aid formula , is warranted. Alternatively, one might take the representative tax approach and measure the revenue a jurisdiction is raising for schools against what it could raise if it utilized average effective rates on a variety of revenue sources.[1]

After the choice of an appropriate wealth measure, some thought must also be given to adjustments of any measure of capacity. Removing the income retained by all persons or families earning below a poverty level of income might be one adjustment. Reducing wealth by some measure of total tax effort might be another corrective factor. Both types of adjustments would reduce the effective wealth base for school finance within a jurisdiction. The unit by which wealth is measured is also important. Riew, for example, notes that central cities and other selected urban areas are frequently disadvantaged by school aid formulas that measure wealth in per pupil rather than per capita terms.[2]

---

[1]Advisory Commission on Intergovernmental Relations, Measuring The Fiscal Capacity and Tax Effort of State and Local Areas, (Washington, D. C.: ACIR, 1971)

[2]John Riew, "State Aids for Public Schools and Metropolitan Finance" Land Economics, Volume 46, No. 3 (August, 1970), 297-304.

The measurement of fiscal capacity is of crucial importance in school finance revisions. Yet, capacity may be measured on a variety of different bases, most of which would yield somewhat similar results. However, the analysis of differences in capacity measurement will enable one to identify those districts which fare unusually well or poorly under a particular kind of wealth measurement as well as permit a systematic classification of districts that hold their fiscal capacity in different forms.

Tax Effort Factors.

School finance revisions may also take into account factors concerning total or school tax effort. Some states such as New York have a "correction factor" that increases state aid to school districts with high education tax rates. Others such as Michigan compensate for nonschool tax effort that is 125 percent greater than state average.[1] Both types of corrections channel additional state aid to jurisdictions that exert extraordinary revenue effort for selected public services.

The measurement of tax effort, like that of fiscal capacity, can be a difficult matter. First, it is dependent on the selection of an appropriate measure of capacity which itself may be difficult to justify. Second, the measurement of tax effort must take into account the problem of tax exporting. Central cities or industrial enclaves, for example, may have high tax rates that are exported by

---

[1] Leroy J. Peterson, Municipal Overburden (Eugene, Oregon: ERIC Clearinghouse on Educational Management, 1971), p.14.

differential assessments on nonresidential property or through the use of local sales and income taxes that have their ultimate incidence on non-city residents. These factors lower the actual tax effort that cities and other industrialized jurisdictions are making.

Another question arises as to whether corrections should be used in the revised school finance system or outside of it. Paul Mort, for example, suggested reducing the fiscal capacity of a school district by the degree of its municipal overburden. However, other analysts have suggested that total fiscal neutrality in a public expenditure system could be gained through the institution of an aid system guaranteed to meet foundation levels of performances in all expenditure areas according to different types of jurisdictions.[1]

Moreover, tax effort factors may be the basis for increased external support not to relieve fiscal pressure but to promote greater fiscal investment in the public sector. Such is the case with several of the revenue-sharing bills before Congress which increase fiscal allotments on the basis of relative tax effort and which at the same time do not permit general aid to be used for the purposes of tax relief. The same type of perspective seems to be behind power equalizing which would raise external support as revenue effort for school purposes increases. Contrasted with this is raised foundation formula which would tend to standardize tax rates and vary support in relationship to fiscal capacity.

---

[1]George Break, Intergovernmental Fiscal Relations in the United States (Washington: The Brookings Institution, 1967), pp. 164-165.

Revenue Productivity and Progressivity

Questions concerning revenue utilization for school finance systems are pivotal to a well-designed analysis of educational finance alternatives. Like the measurement of need, capacity, and effort, however, revenue plans must take into account a variety of fiscal factors that often are in conflict. For example, take the conflict between revenue productivity and progressivity. The income tax seems an excellent tax on both accounts, barring a major recession in economic activity. The property tax fares passably on the first count and poorly on the second. Selective sales and excise taxes fare badly on both counts. Is the solution to revenue problems to move whole-heartedly towards the income tax as the sole source for school financing? Fiscal prudence would suggest otherwise. The premature elimination of the property tax as a source of school support might result in insuffrably high effective rates in other areas of taxation. Also, the narrowing of revenue instruments might make the taxing process more visible than it presently is and increase taxpayer resistance to increased school outlays. In short, a revenue balance which melds the goals of productivity and progressivity may lead to greater revenue stability over time than revenue systems which emphasize one goal or the other in exclusive terms.

Attention must also be given to those policies which can inject greater progressivity or productivity into revenue sources that presently have neither quality. For example, state financed residential property tax relief measures in Wisconsin, Minnesota, California, Vermont, and Kansas have injected greater progressivity into the property tax in

those areas.[1] Other states have attempted to raise local revenue productivity by proposing and in some cases enacting regional tax levies that could be used for various public purposes. The tax sharing plan in the Minneapolis-St. Paul metropolitan area is an example of this latter type of development.[2] Through these foregoing measures, state governments can improve on the progressivity and productivity of existing revenue sources rather than seeking a radical change in revenue policy which unduly downgrades the importance of existing revenue sources.

Institutional Factors

School finance revisions must also assess several institutional factors which have, in some measure, led to the present crisis about fiscal equity and productivity in education finance. Two factors especially deserve attention. The first concerns school district organization, and the second concerns the assignment of fiscal responsibility between state and local government.

School district organization in many states is badly fragmented. School districts are often examples of tax base gerrymandering; indeed, it should be noted that successful court cases overturning present systems of school finance have occurred in states where there is heavy reliance on sub-county school units that exacerbate the fiscal disparities in educational finance. A successful court case is still to be brought

---

[1]Advisory Commission on Intergovernmental Relations, State-Local Finances and Suggested Legislation - 1971 Edition (Washington: ACIR, 1971), pp. 107-108.

[2]Metropolitan Council, The Impact of Fiscal Disparity on Metropolitan Municipalities and School Districts (Minneapolis: Metropolitan Council, 1971.)

in states with countywide school districts. In addition to making fiscal inequities in urban areas more pronounced, the fragmentation of school districts has also promoted a system of school district expenditure competition that has pitted the rich against the poor district and the city against the suburb.[1] The demonstration effects of this type of school structure have probably increased school expenditures beyond where they would have been had there been less fragmentation.[2] Perhaps sensing this, the President's Commission on School Finance recently called for the wholesale reorganization of local school districts to create units that were more comparable in terms of fiscal capacity and educational need.[3] Certainly, state movement to consolidate districts of widely divergent capacity might be considered as part of any school finance revision.

Secondly, states might also reassess the division of fiscal responsibility between state and local government in order to remove undue fiscal responsibilities from local units. Considerable movement in this area has been made with regard to the financing of public welfare. Only a handful of states now still have local fiscal participation in this function. Perhaps similar reallocation of financing responsibility in other fields might enable local units to

---

[1]Seymour Sacks, City Schools/Suburban Schools: A History of Fiscal Conflict (Syracuse: Syracuse University Press, 1972)

[2]David Ranney, "The Impact of Metropolitanism on Central City Education" Educational Administration Quarterly (1969) Vol. V., No. 1, pp. 24-36.

[3]President's Commission on School Finance, op.cit., pp.68-70.

attend to more pressing and immediate human resource needs, education being one such function. States may not achieve fiscal reform of a lasting nature if they revise their educational finance system but still make local governments bear the brunt of most public service responsibilities. In short, school finance reform might be undertaken in the context of finding the proper balance between state and local expenditure and tax responsibilities.

CONCLUSION

School finance reform will not be an easy task. There are several methods of raising and distributing educational revenues to meet the many educational and fiscal demands now being placed on American School systems. Yet, in order to meet these multiple demands, comprehensive fiscal analysis must be undertaken to assess how factors of educational need, fiscal capacity, revenue effort, and educational cost affect educational finance and public finance. After suitable analysis and accurate measurement of these factors, comprehensive school finance reform may be undertaken with greater confidence in eventual outcomes. Perhaps even more important, well conceived simulation models will permit policy analysts to anticipate and deal with the array of concerns that most certainly will be raised by the politicians who will make the final decisions. To back away from the complexities involved in simulation procedures, therefore, will only result in the adoption of premature and perhaps harmful solutions to the present problems of American educational finance.